

Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

2HD1751
A7x

ARED

Economic and Social Research for Rural America

News

Agriculture and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture

Winter 1993



**Farm and Rural Economy
Branch, page 8**

**Farm Sector Financial Analysis
Branch, page 12**

**Finance and Development
Policy Branch, page 17**

**Human Resources and
Industry Branch, page 23**

**National Economy and History
Branch, page 27**

ARED News

Winter 1993

Economic and Social Research for Rural America

Contents

ARED Directory	3
ARED Reflections	4
ARED Publications	5
Office of the Director	7
Farm and Rural Economy Branch (FRE)	8
Farm Sector Financial Analysis Branch (FSFA)	12
Finance and Development Policy Branch (FDP)	17
Human Resources and Industry Branch (HRI)	23
National Economy and History Branch (NEH)	27
Index of Reports and Papers	29

Editor: Martha Frederick, 202/219-0539.

Photo credits: **John Cromartie**, pgs. 14, 16, 23, 26, & 28; and **Robert Gibbs**, cover, pgs. 7, 11, & 30.
All photos were taken during a field trip through rural Georgia, August 23-29, 1992.

ARED DIRECTORY
Agriculture and Rural Economy Division
Economic Research Service
U.S. Department of Agriculture
1301 New York Avenue, NW
Washington, DC 20005-4788
(Area code: 202)

Office of the Director

Director: Ken Deavers	219-0530
Associate Director (acting): Sara Mazie	219-0530
Deputy Director for Agriculture: Tom Carlin	219-0527
Assistant to the Director for Data Coordination: John Hession	219-0340
Executive Editor for <i>Rural Development Perspectives</i> : Linda Ghelfi	219-9520
Assistant to the Director: Paul Flaim	219-0339

Farm and Rural Economy Branch

Branch Chief: David Harrington	219-0520
Agriculture and Community Linkages Section: Fred Hines	219-0525
Farm Structure Section: Leslie Whitener	219-0522

Farm Sector Financial Analysis Branch

Branch Chief: James Johnson	219-0800
Economic Indicators Forecasts Section: Bob McElroy	219-0800
Farm Costs and Returns Section: Mitchell Morehart	219-0801
Farm Financial Analysis Section: Duane Hacklander	219-0798
Farm Firm and Household Well-Being Section: (Vacant)	219-0807
Farm Income Estimation Section: Roger Strickland	219-0804

Finance and Development Policy Branch

Branch Chief: Patrick Sullivan	219-0719
Agricultural Finance Section: Jerome Stam	219-0892
Government and Development Policy Section: David Sears	219-0544
Rural Finance and Tax Section: Ron Durst	219-0897

Human Resources and Industry Branch

Branch Chief: David McGranahan	219-0540
Population Studies Section: Linda Swanson	219-0547
Rural Industry Section: G. Andrew Bernat	219-0539
Rural Labor Section: Paul Swaim	219-0552

National Economy and History Branch

Branch Chief: Thomas Hady	219-0780
Agriculture and Rural History Section: Douglas Bowers	219-0787
Macroeconomics Section: Ralph Monaco	219-0782
National Aggregate Analysis Section: Gerald Schluter	219-0785

ARED REFLECTIONS

By **Ken Deavers**, ARED Division Director

Uncertainty is something we all live with, every day. Yet, when it affects parts of our lives which we think are stable, like our work, it can be very upsetting. In these uncertain times for ERS it is not surprising that all of us feel we lack control. Without creating a false sense of security, I would like to suggest that there is reason for cautious optimism. Only a few weeks ago it appeared that the Agency faced a certain RIF in 1993; that has now been pushed off until 1994 at the earliest. In the next year we will have many opportunities to prove our worth to policy officials in USDA and others. If we do an excellent job, and have a bit of luck as well, we could well find support for stability or modest future increases in the ERS budget rather than cuts.

At the same time, I think that many things will change, and the change will be unsettling. There is a debate underway about the future mission of USDA. Some people focus mostly on traditional farmer programs, while others want USDA to pay increased attention to food safety and nutrition, environmental issues, and rural development. I believe that, whatever else it does, ERS must serve the needs of the Department for socio-economic information as part of its decision making process. Thus, the outcome of the debate about USDA's missions is significant for the Agency program. If the balance of USDA's missions does not shift, and the allocation of ERS resources is about right now, maybe ERS should shrink its whole program roughly proportionately. If on the other hand, there are increasing needs in nontraditional areas, such as nutrition education, maybe ERS resources in those areas should increase even as the Agency shrinks overall.

The program choices ERS faces are not easy, and no single person at any level has the "right" vision of the future. It is also quite clear that several people as yet unknown will have a significant stake in future ERS program choices, e.g., a new administrator and assistant secretary. With imperfect information, little guidance about what "duplication" OMB wants us to eliminate in reducing the program, and some key players still not at the table, the Agency's top management has begun to discuss and develop some program options. We are not committed to the existing structure of four program Divisions and DSC, nor to the existing assignment of subject matter responsibility among the directors, although both have some logic behind them. At a minimum, top management needs to resolve how the Agency will allocate operating money and staff with a near certainty of a 14 percent smaller budget in FY94. If that can be done with an informed guess about the future of USDA, we will be better served.

I believe that many of the research and analysis programs of ARED are of high priority within the existing missions of USDA, even with a smaller ERS. And I will attempt to explain in our management deliberations why they are of value and belong somewhere on the ERS program agenda. At the same time, it is clear to me, as it should be to you, that this is not a democratic process in which we each cast equal votes. I expect there will be significant changes, and the effects will fall unequally across organizational units and program areas.

In the end, I believe that we will have an ERS program that serves the public, and public policy decision making well. And in that program, I believe there will be opportunities for most of us to find things that are important that we want to do. For others of us, I hope that the transition will be gradual enough to find other exciting opportunities in public service, or in the private sector. In the meantime, try be understanding of your colleagues who are uneasy, and give your support and ideas to those charged with finding a path for the new ERS. Finally, continue to do the best work you possibly can--that is how you best serve your own personal interests and the needs of the agency.

ARED PUBLICATIONS

Rural Development Perspectives

In This Issue

The recently released issue (Vol. 8, No. 2) of *RDP* contains the following articles:

"Can Telecommunications Help Rural Areas Overcome Obstacles to Development?" by Tom Rowley and Shirley Porterfield (University of Missouri, formerly of ARED). Telecommunications can help reduce rural isolation, improve access to services, and increase business efficiency. However, telecommunications can also expose rural areas to increased competition and possibly widen the development gap. Still, telecommunications is essential for full nonmetro participation in the national and international economies, and it is an essential part of an overall rural development strategy.

"Minnesota's Economic Recovery Fund: Positive Results, Room For Improvement," by Margaret Dewar. Since 1984, Minnesota has been channeling \$8 - \$9 million per year in loans and grants to businesses through a fund that aims to stimulate State and local economic growth, aid distressed areas, and help low- and moderate-income people. The program sends 90 percent of its funds to nonmetro areas, with moderate success. Forty percent of the nonmetro projects appeared to contribute to economic growth within the State (1984-1988), and the most economically distressed counties received more than their share of projects. However, most of the created jobs paid lower wages than the local average.

"Leaving the Countryside: Young Adults Follow Complex Migration Patterns," by John Cromartie. The 1980s saw an acceleration of outmigration among nonmetro youth without compensating immigration, fueling concern over the loss of human resources and future population growth. A longitudinal survey conducted over 10 years confirms that young adults followed complex migration patterns normally involving multiple moves, including 15 percent who returned from cities to the counties of their origin. Outmigration rates and patterns differ by race and ethnicity, income, and geographic proximity.

"Agriculture Still Key to Economic Health of the Rural Great Plains," by Judith Somner, Fred Hines, and Mindy Petrusis. The nonmetro population of the Great Plains has declined 16.2 percent since 1930. Job losses in agriculture and boom-bust cycles in the energy sector have contributed to this decline. Although farm numbers are declining, the Plains still produces a large

portion of the Nation's agricultural products. The future ability of the nonmetro Great Plains to retain population depends on its ability to attract new industries to diversify the economic base and on the viability of its farming and energy sectors.

In the Rural Indicators column, compiled by Tom Rowley, is a short article titled, "Nonmetro Population Older than Metro; Relatively Fewer Working Age Adults," by Calvin Beale and Glenn Fuguitt (University of Wisconsin).

The Short Subjects section compiled by Steve Landale includes: "Co-op Helps Rural North Carolina Women Craft Future," "Missouri Group Also Markets Rural Artisanhip," "Rural Nurses and AIDS," "Independent Living Centers Help Rural Disabled," "Rural Communities Video," and "Southern Rural Schools Improvements Planned."

Notices

Recent black and white photographs of rural America, especially those showing people, are needed for *Rural Development Perspectives*. Please indicate the location of the photo and the photographer's name so proper credit can be given. Send your photos to Steve Landale, Publications Specialist, 1301 New York Ave., NW, Room 328, Washington, DC 20005-4788.

Rural Development Perspectives is published three times per year. Subscription rate is \$9 for 1 year, \$17 for 2 years, and \$24 for 3 years. Call to order toll free, 1-800-999-6779 and charge your subscription to VISA or MasterCard.

Rural Conditions and Trends

In This Issue

The Fall 1992 issue of *RCaT* contains the following articles:

OVERVIEW: "Rural, Urban, National, and International Economies Generally Flat," by Linda Ghelfi. Rural unemployment remains high as employment growth only matches labor force growth. Conditions in other nations contribute to sluggish U.S. growth. Special articles describe the relatively high economic status of farm entrepreneurs and the relatively low economic status of farmworkers.

NATIONAL ECONOMIC CONDITIONS: "National Economy Grows Slowly," by **Jennifer Beattie** and **Ralph Monaco**. The U.S. economy continues to grow slowly and unemployment remains high, but inflation and interest rates are relatively low. Developments abroad have contributed to sluggishness in the U.S. economy, but they may lead to faster growth in 1993.

EMPLOYMENT: "Rural Employment Up Slightly," by **Timothy Parker**. Rural employment moved up slightly in the second quarter of 1992, for the third consecutive quarter of growth. The employment gains, however, have been small and have just kept pace with the rising labor force.

UNEMPLOYMENT: "Rural Unemployment Unchanged," by **Paul Swaim**. While rural unemployment remained essentially unchanged at about 7.1 percent between the beginning of 1991 and mid-1992, urban unemployment climbed from 6.3 to 7.6 percent. The average length of time unemployed has steadily increased during the past 2 years.

THE RURAL WORK FORCE: "Farm Entrepreneurs Had the Highest Nonmetro Income in 1990," by **Thomas Carlin**. The income of nonmetro farm entrepreneurs averaged \$19,710 in 1990, higher than the incomes of nonmetro nonfarm entrepreneurs and wage earners. Farm entrepreneurs whose income came primarily from off-farm sources had higher incomes than those who relied primarily on farm earnings.

THE RURAL WORK FORCE: "Hired Farmworkers Do Not Fare as Well as Other Nonmetro Workers," by **Victor Oliveira** and **Leslie Whitener**. Farmworkers' median weekly earnings in 1991 were lower and their employment was more seasonal than that of other workers. The relatively low education levels of hired farmworkers limited their access to higher paying, more stable jobs.

The Winter 1992/93 issue of *RCaT* contains the following articles:

OVERVIEW: "National Economy Strengthens; Rural Employment Recovering Sooner Than Urban," by **Linda Ghelfi**. Increased consumer spending during the third and early fourth quarters may presage more sustained growth in the national economy. Rural employment grew during the third quarter while urban employment remained about the same as in the second quarter. A special article on defense spending describes how cuts may affect rural and urban communities.

NATIONAL ECONOMIC CONDITIONS: "Economy Getting End-of-Year Bounce," by **Jennifer Beattie** and **Ralph Monaco**. Many statistics pointed to an

improving economy in the third quarter and the early part of the fourth. Analysts are predicting the economy will grow moderately in 1993 with little change in inflation.

NATIONAL ECONOMY LINKS TO RURAL AREAS: "Defense Cuts Pose Difficult Adjustment for Some Rural Communities," by **Karen Hamrick**. Rural areas in general could be slightly less affected than urban areas by overall defense spending cuts, but individual communities near a closed base or defense-industry plant will be harder hit than corresponding urban areas.

EMPLOYMENT: "Rural Employment Rebounds, But Evenly," by **Paul Swaim**. Rural employment has grown 3.1 percent since bottoming out in the third quarter of 1991. By contrast, urban employment was essentially unchanged over the same period. The rebound in rural employment was unevenly distributed across States.

UNEMPLOYMENT: "Rural Unemployment Continues to Rise in the Third Quarter of 1992," by **Elizabeth Dagata**. Unemployment in rural and urban areas continued to climb in 1992. During the past year, there were large differences in unemployment rates among rural areas. Rural areas in the West and Northeast had the highest unemployment rates and the largest increases in unemployment. The Midwest had the lowest rural unemployment rates.

Notices

Rural Conditions and Trends is published 4 times a year. Subscription prices for 1 year are \$14 for U.S. addresses and \$17.50 for addresses outside the United States. Send check or money order to ERS-NASS. You can charge your subscription to VISA or MasterCard by calling (toll-free) 1-800-999-6779.

Old copies of *Rural Development Perspectives* and *Rural Conditions and Trends* are needed for ARED publications' archives. If you no longer want your old publications, they can be returned to **Steve Landale**, Publications Specialist, Economic Research Service, 1301 New York Ave., NW, Room 328, Washington, DC 20005-4788.



OFFICE OF THE DIRECTOR

Papers Presented and Meetings Attended

Ken Deavers and **Tom Rowley** (FDP) met with key people from the President's Initiative on Rural America at a quarterly meeting in New Orleans, January 12-15. Representatives of the National Initiative Office, the Rural Economic Development Institute, the Monday Management Group, the State Rural Development Councils, and ERS discussed the status and plans of the Initiative. Deavers discussed the challenges and changes rural economies face in his presentation "Rural America in the New Global Reality." Rowley discussed ERS's new program of research assistance to the State Councils.

Briefings and Miscellaneous

In November, **Sara Mazie** met with **Susan Lund**, a consultant in Rural Development Planning who was in

the U.S. to participate in the USIA's International Visitor Program. In South Africa, Ms. Lund works with private organizations that promote rural development. Sara discussed major U.S. rural development initiatives of the last two years, as well as ARED's rural development research program.

Personnel News

Peggy Ross and **Eugene Cook** were married on January 18, 1993, in a small church in Paris, VA--very close to the Appalachian Trail where they frequently hike. Peggy is a senior sociologist who serves as coordinator for the ERS Typology project. Gene works as a developer of multi-family housing in the Washington area. They reside in Alexandria, VA. For all correspondence, Peggy will be using her married name of **Peggy Cook**.

FARM AND RURAL ECONOMY BRANCH

View from the Branch

by David H. Harrington, Branch Chief

Two projects are occupying a considerable proportion of Branch resources at the moment. As mentioned by Tom Carlin in the last *ARED News*, the Farm and Rural Economy Branch is leading the U.S. component of a joint U.S.-Canadian comparative study of the structure of agriculture and forces that shape it in both countries. The first phase of the project will culminate in a full day invited paper session at the annual meetings of the Agricultural Institute of Canada, in St. Johns, Newfoundland, August 17, 1993.

Cooperating in the project from the Farm and Rural Economy Branch are Donn Reimund, leader; David Harrington, Leslie Whitener, Neal Peterson, and Fred Gale. Other cooperators from ERS include: Tom Carlin (OD), Mary Ahearn (Office of the Administrator), Janet Perry (FSFA), Anne Effland (FSFA), Bob Reinsel (ATAD), Glenn Zepp (CED), Charles Plummer (CED), Ken Mathews (CED), Linwood Hoffman (CED), and Mark Ash (CED). David Freshwater (University of Kentucky) is also cooperating on the U.S. side.

Canadians cooperating in the project include: Ray Bollman (Statistics Canada), Phil Ehrensaft (Universite du Quebec a Montreal), Peter Apedaile (University of Alberta), Fu Lai Tung (Agriculture Canada), Murray Fulton (University of Saskatchewan), Stuart Pursey (Statistics Canada), Heather Clemonson (Agriculture Canada), and Barbara McLaughlin (Statistics Canada).

Fourteen papers comparing various aspects of the structure of agriculture in Canada and the United States are being prepared. They will be peer reviewed and modified at a meeting of the project members at the Universite du Quebec a Montreal in mid-April. Upon completion of the August presentations at the Agricultural Institute of Canada meetings, the papers will be published as a book.

The second activity of the Branch is an exercise in branch planning. Since November 1992, all levels of the Branch have been involved in a comprehensive review of the knowledge base and linkages of the structure of agriculture. The structure of agriculture was last seriously reviewed in ERS and USDA in the late 1970s under Secretary Bob Bergland. Rural sociologists have maintained some interest in the structure of agriculture over the past decade. However, in the agricultural economics profession, most of the

work in the structure of agriculture occurred in the late 1960s to early 1970s.

Branch economists and sociologists are reviewing the state of knowledge--the literature, linkages, hypotheses, methods, and data. From this, a common vision of the field should emerge, as well as a shared vision of the research agenda for the Branch and the professions for the next five years or so. David Harrington kicked off the planning process with a seminar on how he viewed the work of the Branch over the past 14 years--what we have learned, how it fits together, and what questions remain unanswered. All professionals in the Branch are fleshing out the parts of the general outline that are closest to their research interests. Division and Agency management will be invited to participate with us in setting the agenda and research priorities in the next phase this spring.

Branch Office

Personnel

David Harrington resumed the position of Branch Chief on October 1, 1992--a position he held from 1979 until 1987. David rejoined ERS in 1979 after a 7-year stint with Agriculture Canada. There he served successively as a dairy policy analyst, an Assistant Director of the Economics Research Division, and Executive Director of CANFARM, Canada's national farm management information service. When CANFARM was cut from the federal budget in 1978, David successfully led an effort to continue farm management and accounting services to Canadian farmers.

David's first tour with ERS began in 1964, as a field employee of the Resource Development Economics Division (a predecessor to both ARED and RTD) in Durham, NH. From there he migrated to Ithaca, NY, and then to Lafayette, IN, with the Farm Production Economics Division. He accepted an offer from Agriculture Canada in 1973 and left ERS for Ottawa.

Upon returning to ERS in 1979, he became chief of the Farm and Rural Economy Branch. He was Deputy Director for Agriculture in ARED from 1987 until October 1992. His research has been concerned with the development of mathematical programming models, structure of agriculture, and analysis of agricultural policy in the U.S. and Canada. Since 1979, he has written over 65 publications in these areas. He and collaborators are recipients of four awards from the American Agricultural Economics Association: Best Ph.D. Thesis, 1974; Honorable Mention, Quality of Communication, 1980; Honorable Mention,

Outstanding Policy Contribution, 1983; and Honorable Mention, Quality of Communication, 1988. In ERS, he has received three Administrator's Special Merit Awards and one Excellence Award.

David holds a BS in agricultural economics from Cornell University, an MS in resource economics from the University of New Hampshire, and a Ph.D. in agricultural economics from Purdue University.

Agriculture and Community Linkages Section

Publications

Alex Majchrowicz and Jackie Salsgiver wrote a report "U.S. Farm and Farm-Related Employment in 1989: Where Are Jobs in Farming and Its Related Industries Most Important?," AIB-654, released in February. The report shows there were 23 million jobs (17.3 percent of total U.S. jobs) in farm and farm-related industries in 1989. Most of these jobs are only peripherally linked to farming, with more than 15.5 million in agricultural wholesale and retail trade or indirect agribusinesses. But, the jobs in farming and its closely related industries that supply agricultural inputs and process and market commodities have a direct effect on many local economies, providing 25 percent or more of total employment in 865 of the approximately 3,100 U.S. counties.

Alex and Jackie also wrote a *National Food Review* article, "Leaner Employment in Processing and Marketing Industries." This article reveals that agricultural processing and marketing employment declined over 9 percent during 1975-88. Most processing and marketing industries lost jobs. Only processor of meat products and miscellaneous foods (like snack chips and macaroni) had job growth, while bakery products remained stable.

Fred Hines teamed with Alex and Jackie in preparing an ARED Issue Briefing Paper, "Farming as a Rural Growth Strategy." The paper showed that while the numbers of farm proprietors and wage and salary farm workers declined 22 percent during 1975-89, other industries in nonmetro counties gained jobs. The greatest number of jobs were gained in industries not related to farming, increasing 42 percent. The authors concluded that farming's ability to create new jobs is limited. Employment trends indicate that areas most dependent on farming and its closely related industries will have difficulty sustaining or expanding economic growth unless these counties can diversify their industrial bases.

Dennis Brown and Mindy Petrulis wrote an Issue Briefing paper, "Value Added Agriculture as a Rural Growth Strategy," that discussed the potential of the food processing sector for creating growth in nonmetro America. Dennis and Mindy concluded that reliance on the food processing sector as a critical source of employment growth in the 1990s is not expected to be a viable option for most local and State economies. Partly due to widespread industrial restructuring in food processing during the 1980s, significant employment increases in the 1990s will probably come about through intense competition with older, more established industries in metro areas. The potential for food processing industries to provide new jobs for a community or State largely depends on whether local areas can supply competitively-priced raw inputs for local processing facilities. Therefore, job prospects are likely to be confined mostly to areas that already specialize in these products (for example, as in the red meat packing, poultry processing, cheese processing, frozen fruit and vegetable processing, and fish processing industries).

Dennis and Mindy also worked on a briefing paper with Fred Hines titled "Where Farm Program Payments are Most Important to Farmers and Farm-based Counties." Fred, Mindy, and Dennis note that because of the highly diverse nature of farming in the U.S., a reduction of government farm program payments would not have a dramatic impact on the Nation's farm sector as a whole. Since government payments represent a very significant part of net farm income for producers of the major program crops of wheat, feed grains, rice, and cotton, elimination of payments would have a negative impact on the farmers of these crops. Altering farm commodity programs would likely have the greatest effect in the spring wheat and barley areas of the Northern Plains, the winter wheat and sorghum producing areas of the Central Plains, and the "high payment" areas of Texas, Oklahoma, Arkansas, Louisiana, and Mississippi, where direct government payments comprise over 20 percent of gross farm income--exceeding the national average by factors of two to three or more.

Section members also prepared a briefing paper titled "Ethanol Production and the Rural Economy." Mindy Petrulis and Judy Sommer point out that if the productive capacity of the ethanol producing industry were to increase, a majority of the new jobs would be found in communities that can meet the infrastructure and raw material needs of large plants. Small and medium-sized cities in the Corn Belt are the most viable candidates. Other communities may benefit from "niche" plants that are designed to use locally available feedstock that would otherwise be discarded at some cost.

Papers Presented and Meetings Attended

Alex Majchrowicz presented an invited paper titled "The Contribution of Agriculture to the Western States' Economies," at the Arizona Agricultural Business Forum. The Forum, held in Phoenix during early December, was attended by persons in Arizona's agricultural community. Attendees included growers, input suppliers, university and government representatives, and community leaders.

Alex's paper was based on Section studies that estimate employment in farm and farm-related industries. While his paper provided information for all Western States, Alex's remarks focused on the changing importance of farming and its associated industries over the last 15 years. For example, farm and farm-related jobs increased by 91 percent in Arizona during 1975-89. But most of this growth was in wholesale and retail trade of agricultural products, which more than doubled. This strong growth, linked to rapid population gains in the State that increased consumer markets, reduced the relative importance of farming to Arizona's economy. Farm production jobs now account for 7.5 percent of all farm and farm-related employment in Arizona, down from 15.8 percent in 1975. Agricultural wholesale and retail trade industries' share of farm and farm-related jobs increased from 62.5 to almost 73 percent.

Personnel News

Jim Duffield has accepted a position as an agricultural economist in the Office of Energy, USDA. He was a member of the Agriculture and Community Linkages Section from October 1992 until his departure. Previously, he was in the Agricultural Labor Section.

Fred Gale has transferred to the Section from the Farm Structure Section. He will continue to work with the U.S.-Canada Agricultural Structure Project.

Farm Structure Section

Research and Analysis

Section members are completing work on two Agricultural Information Bulletins that will be published as part of the ERS Series on Issues for the 1990s. The first AIB, written by Fred Gale and Neal Peterson, is titled "The Shrinking Number of Farmers: Do We Need More Entrants?" Their analysis points out that entry by new young farmers has not kept pace with the retirement of older farmers, but that this pattern is not expected to diminish agricultural production or to jeopardize the Nation's supply of food and fiber in the near future. Entering farmers tend to be more productive than retiring farmers and make

greater use of new, more efficient technology, machinery, and management practices. The authors argue that efforts to increase export demand for food and fiber and the development of new or industrial crops can expand agricultural production and create opportunities for new farmers. Also, efforts to improve economic growth and job creation in rural areas will be critical for young farmers who often rely on off-farm employment for family income and capital expenses.

The second AIB, by Vic Oliveira and Leslie Whitener has the working title of "Improving the Living and Working Conditions of Hired Farm Workers." The authors emphasize that hired farm workers continue to be at the bottom of the occupational scale in terms of earnings, job stability, and skills and are excluded from coverage under many of the basic worker protection programs generally available to other U.S. workers. They note that removal or modification of the agricultural exemptions in basic workplace protection programs, including minimum wage guarantees, unemployment insurance, and workers' compensation, would allow large numbers of farm workers to participate in these programs and benefits. Such efforts could, however, substantially raise labor costs for some farmers, particularly growers of the more labor-intensive fruit, vegetable, and horticultural crops.

Judy Kalbacher, Susan Bentley, and Donn Reimund completed work on the *15th Annual Family Farm Report to Congress*. The report introduces a new reporting format that will provide annual data on the major structural and financial characteristics of the farm sector as portrayed by the Farm Costs and Returns Survey. Annual farm structural data are not available from any other national sources of data. Estimates derived from the 1990 survey, the base year for the new data series, indicate that about 1.8 million farms operated 1 billion acres of land in the contiguous United States during the year. The average acreage operated was 588 acres per reporting farm and gross farm sales averaged \$63,000. Farms of less than 500 acres account for slightly more than 80 percent of farms surveyed, but slightly less than 20 percent of the farmland. About 60 percent of farms reported gross farm sales of less than \$20,000 in 1990; these small farms account for only 4 percent of farm sales.

Susan Bentley has renewed her research collaboration with Professor William Sauppe (University of Wisconsin-Madison) to study farms and farm families in Wisconsin. Susan and Bill collaborated on a 1987 survey of farm operators that followed up on the same farm operators surveyed in 1983. The University of Wisconsin's Agricultural Technology and Family Farm Institute (ATFFI) has commissioned a statewide survey of family farms for the spring of 1993, which will

include the farm operators surveyed in 1983 and 1987. The interviews will gather information about the operator's farm background and work experience, the farm's land, livestock, machinery resources, the farm's business aspects (income, expenses, assets, and debts), uses of different agricultural technologies, patterns of nonfarm employment, and the operator's future farming goals and plans. Enumerators for the Institute also plan to interview operators from the earlier surveys who left farming between 1987 and 1992. Susan plans to use the data from the 1993 survey in conjunction with the earlier data to examine the characteristics of recent exits from farming, and to examine changes among farm households, for example, in on- and off-farm labor allocations, that have continued over the 10-year period. Also working on the project are Doug Smith and Janet Eisenhower of the University of Wisconsin.

Publications

Donn Reimund and Judy Kalbacher completed "Characteristics of Large-Scale Farms, 1987." This

report uses 1987 and earlier Censuses of Agriculture to summarize the major structural and financial characteristics of large-scale farms (those with annual product sales of \$500,000 or more). The report looks at how these farms are organized and their resource base and financial situation in relation to farms in general. This forthcoming AIB updates the 1987 AIB titled "Large-Scale Farms in Perspective."

Papers Presented and Meetings Attended

The Section hosted a meeting of U.S. and Canadian researchers in December, 1992, to organize and plan their joint study of agricultural structural change. The study is on a comparative analysis of the U.S. and Canadian farming sectors, the public policies, and the institutional forces that shape the farming sectors. Attendees of the meeting were David Harrington, Neal Peterson, Donn Reimund, and Leslie Whitener, Peter Apedaile (University of Alberta), Phil Ehrensaft (Universite du Quebec a Montreal), and David Freshwater (University of Kentucky).



FARM SECTOR FINANCIAL ANALYSIS BRANCH

View from the Branch

By **Jim Johnson**, FSFA Branch Chief

In recent months FSFA staff have taken significant steps away from the status quo in preparing and presenting financial performance information for the farm sector, farm businesses, and farm operator households.

The Economic Indicators of the Farm Sector National and State Financial Summaries (ECIFS) were substantially rewritten to provide clearer understanding of the data sources and procedures used to develop the estimates. New data series introduced in the ECIFS include our first published estimates of value added, and a consistently prepared set of financial ratios. The value added series improve comparability of our farm sector estimates with estimates of other sectors of the U.S. economy, as well as with estimates provided by international organizations. The new financial ratios include measures of liquidity, solvency, profitability, and financial efficiency for the time period 1950 through 1991 and for each State. These data provide a context I have found useful for assessing ongoing changes in the sector's performance. Financial indicators published in the ECIFS are also consistent with forecasts published in the Agricultural Income and Finance Situation and Outlook Report. This provides a way to keep our perspective about the financial performance of the sector updated for public dissemination.

The Branch also had two reports on the economic well-being of farm operator households and the financial performance of farm businesses published. These reports contribute to a further enhancement of the Branch's financial performance information system. They provide conceptually correct estimates of income and net worth for farm businesses and farm operator households and underpin analyses of the distribution of income and wealth. A third Branch report, prepared for presentation at the Australian Agriculture Outlook Conference, presents income and financial estimates of farm businesses and farm operator households melded together to assess the viability of farm businesses in a broader context. Business viability was defined as the ability of a farm to meet its financial obligations, including the ability to cover cash operation expenses, capital replacement, and principal and interest payments on debt. This work provides a perspective about a farm's debt repayment capacity. To extend the analysis to include an assessment of farm's ability to provide for family living expenses, net earnings retained by the business were combined with estimates of family living expenditures. The work was further extended by taking

into account off-farm sources of income. These reports provide a comprehensive picture of the sources and uses of income by farm businesses and farm operator households and clearly illustrate how considering only information for the business or for the household can lead to a misleading perspective about the economic well-being of farm people. **Janet Perry, Mitch Morehart** and **Jim Johnson** plan to report the results of this work in a forthcoming bulletin later this Spring.

The Branch's commodity cost and returns estimates program continued to make available distributional information. The third in a series of reports detailing the characteristics and production costs of farm commodities was published in February. The February release focused on producers of grain sorghum. Previous reports provided data for soybean and rice producers. A report focusing on wheat has been cleared by the branch and is in the publication process. A highlight of these reports is their presentation of a cumulative distribution of the costs of producing the commodity along with information about the characteristics of low and high cost farmers. In companion work, Branch staff are interacting with Canadian university and Government staff to develop parallel estimates for the U.S. and Canada.

Branch staff have also continued to work with the Commodity Costs and Returns Accounting Task Force appointed by the American Agriculture Economics Association. **Mitch Morehart** is a member of the Task Force Steering Committee and was responsible for writing the introductory chapter of the Task Force Report. The Task Force is nearing agreement on a set of recommended guidelines for use in preparing commodity cost and returns estimates. The task force has dealt with a large number of complex theoretical and empirical issues ranging from recommended methods for use in allocating firm overhead costs to formats to be used in publication of historical estimates and forecasts. Despite disagreement and debate, the Task Force has remained focused on its goal of providing a set of recommended methods. Their forthcoming report will be an important guide that will contribute to standardization in procedures used to prepare and report enterprise costs. The Branch intends to adopt the Task Force recommendations as a basis for our commodity costs and returns estimates work.

In closing this Branch view, I want to thank **Mary Ahearn** for her support and her intellectual contribution to the development of the Branch program. Mary has taken a new position as Assistant to the Associate Administrator. I know that Mary will

bring the same enthusiasm and ability to her new duties that she willingly gave to the Branch.

Economic Indicators Forecasts Section

Research and Analysis

Bob Dubman completed the Farm Finance section of the Winter 1992 baseline exercise.

Charles Dodson and **Bob McElroy** used the Section's new farm income forecasting model to examine various scenarios as part of an Agency project to demonstrate ERS' capabilities for short-term analysis. With new models and faster computing technology, the Section is able for the first time to offer almost-immediate turnaround on staff analyses looking at different policy scenarios.

Publications

Bob Dubman and **Bob McElroy** released the December issue of *Agricultural Income and Finance Situation and Outlook Report*, AFO-47. Besides the current forecasts for financial indicators, ARED researchers from other Branches have been playing an increasing role in providing research results for this important Agency publication.

Papers Presented and Meetings Attended

Charles Dodson and **Lomthunzi Jere** (Texas Tech University) presented a poster at the Southern Agricultural Economics Association meeting in Tulsa. The poster, "Foreign Investment in Texas Agricultural Land, 1977-1990," concluded that (1) foreign investment in Texas is in ranch or pasture land concentrated in the south, far-west, and eastern parts of the State; (2) investors are primarily Swiss and Mexican corporations; and (3) investment is inelastic with respect to real exchange rates and farm income but elastic to changes in land values and interest rates.

Charles Dodson and **Krishna Mason** (Texas Tech University) presented another poster in Tulsa, titled "An Option Pricing Model of Farm Credit System Bank Nonaccrual Loan Levels." This research found that changes in the economic and/or policy environment which reduce farm equity levels could increase bank nonaccrual loan levels. Impacts varied by Farm Credit District due to differences in the size and composition of agricultural businesses.

Farm Costs and Returns Section

Publications

Mitchell Morehart, **James Johnson**, and **David Banker** had their report *Financial Performance of U.S. Farm Businesses, 1987-90* published in December as Agricultural Economic Report No. 661

Michael Salassi wrote an Agricultural Information Bulletin (no. 657) that was published in October. It is titled *Characteristics and Production Costs of U.S. Rice Farms, 1988*.

Also published by ERS in October as an Agricultural Information Bulletin was *Characteristics and Production Costs of U.S. Soybean Farms, 1990*. It was written by **William McBride**.

Mir Ali wrote "U.S. Cash Costs of Production for Major Field Crops, 1993 Forecast." The article was published in *Agricultural Income and Finance, Situation and Outlook Report*, AFO-47 in December.

"Restricting Pesticide Use: The Impact on Profitability by Farm Size," written by **Gerald Whittaker**, was published in the October issue of *Agricultural Resources: Inputs Situation and Outlook Report*.

Briefing and Miscellaneous

Mitchell Morehart, **Bill McBride**, **Mir Ali** and **Mike Salassi** were instructors at the regional 1992 Farm Costs and Returns Survey Schools held in Fairfax, VA and New Orleans, LA.

Mike Salassi also travelled to Houston, TX, on January 19-20, 1993 to serve as an instructor at the Texas State 1992 Farm Costs and Returns Survey School.

Mike Salassi made a presentation to Texas rice producers concerning the rice version of the 1992 Farm Costs and Returns Survey at the ECONO-RICE Research Program Review presented by Texas A&M University at El Campo, TX, January 21-22, 1993.

Mike Salassi and **Duane Hacklander** wrote a paper called "Farm Sector Financial Performance", which Duane presented at the 1993 Beltwide Cotton Economics and Marketing Conference in New Orleans, LA, January 10-14, 1993.

Mir Ali and **Mike Salassi** travelled with **Annette Clauson (CED)** to southern Louisiana on January 28-29, 1993 to visit sugarcane farms and raw sugar processing mills.

Mir Ali travelled with **Annette Clauson (CED)** to attend the 1993 Annual Meeting of the American Sugarbeet Association held at Palm Springs, CA, on January 24-26, 1993.

Personnel News

Judy Sommer and **Nora Brooks** have recently joined the Section. Judy will be working on wheat costs of production, while Nora has primary responsibilities for grain sorghum and peanuts.

Farm Financial Analysis Section

Research and Analysis

From January 18-22, **Ken Erickson** worked with Dr. Charles Moss and Dr. Richard Weldon of the Food and Resource Economics Department at the University of Florida in Gainesville. For several years ERS has been working with Moss and Weldon on various farm financial topics, including the profitability of the farm and non-farm sectors.

Papers Presented and Meetings Attended

Jim Ryan presented "Farm Financial Performance: Outlook for the 1990s" at the Agricultural Outlook Conference on December 2, 1992. The speech, written with **Ken Erickson**, indicated that the following are expected to rise up to 1 percent in 1993: farm business assets, debt, and equity. While these moderate increases suggest a stabilizing farm economy, they are projected to lag a rise of 2-3 percent in general prices. At the farm sector level, additional financial stress is not anticipated because the rise in net cash income should provide farm operators with sufficient income to meet their operating and debt service requirements.

Duane Hacklander presented "Farm Sector Financial Performance" at the Beltwide Cotton Economics and Marketing Conference in New Orleans on January 14. The paper, written with **Mike Salassi**, presented a summary of the income and balance sheet outlook for 1993, as well as financial characteristics of commercial cotton farms according to the latest Farm Costs and Returns Survey.

Briefings and Miscellaneous

Jim Ryan participated in the two national training schools for the annual Farm Costs and Returns Survey (FCRS). He instructed staff from State Statistical Offices on the intent of questions related to an operator's balance sheet.

Ken Erickson is working with minority graduate students, **Sean Chance** and **Harold Ballou**, on related farm financial issues. Sean and Harold worked at ERS last summer, gaining valuable insights and on-the-job experience. Summer research projects related to their Masters degree programs have resulted in several significant outputs. For example, Chance recently presented "Financial Performance of U.S. Farms by Farm Credit District for 1980, 1985, and 1990," at the annual meetings of the Southern Agricultural Economics Association.



Farm Firm and Household Well-Being Section

Research and Analysis

Bob Hoppe has finished the first draft of a report on local economies, farms, and farm operator households in counties where farming is economically important. He is also working on a project comparing household data for farm operators from the FCRS and CPS.

Hisham El-Osta is working with **Bill McBride** on a study of what determines the adoption of conservation tillage in soybean production.

Hisham El-Osta is incorporating data sent by **Wallace Huffman** (Iowa State University) on local labor market conditions to data from the Farm Costs and Returns Survey (FCRS) which will allow for a more accurate estimation of farm operators' off-farm labor supply.

Janet Perry and **Bob Hoppe** began work on an article for *Agricultural Outlook* that discusses the sources and levels of income for farm operator households. The article uses 1991 FCRS household data and is an update and expansion of their earlier issue paper completed in December.

Publications

Two reports have been recently released. *Economic Well-being of Farm Operator Households, 1988-1990* was prepared by **Mary Ahearn**, **Janet Perry** and **Hisham El-Osta**. **Janet Perry** and **Mary Ahearn** are the authors of *Limited Opportunity Farm Households in 1988*.

Faqir Bagi, **Hisham El-Osta**, and **Mary Ahearn** collaborated on two papers that measure farm household income. The first, "Income Distribution Among Farm Operator Households," has been submitted to the *Journal of Business and Economic Statistics*. The second report, *Size Distribution of Income Among the Farm Operator Households in the United States in 1988*, has been through peer review as an ERS Staff Report.

Papers Presented and Meetings Attended

Janet Perry and **Mary Ahearn** wrote a paper titled "Gender Labor Roles in Farm Operator Households" to be delivered at the Eastern Economics Association meetings in Washington March 19-21. **Janet** and **Anne Effland** have written a symposium proposal which was accepted for the summer meetings of AAEA in Orlando. The symposium title is "Recent Research on Farm Women: A Interdisciplinary Perspective. In continuation of the project to study gender roles **Janet**

and **Anne** are working with **Norah Keating** (University of Alberta) and **Ray Bolling** (Ag Canada) to analyze U.S. and Canadian farm structure with respect to gender and generation.

Janet collaborated with **Jim Johnson** and **Mitch Morehart** to provide a cash flow and balance sheet for the farm and the household for a paper authored by **Jim Johnson** and delivered at the Australian Agricultural Economics meetings.

Briefings and Miscellaneous

Janet Perry and **Mary Ahearn** (OA, formerly of ARED) responded to requests from OBPA and EAS for data on farm operator household income to address the question of targeting farm subsidies. In addition, **Janet** has responded to requests to provide income data for the GAO, Office of Management and Budget, Congressional Research Service, and various Congressional offices and private organizations.

Hisham El-Osta and **Bob Hoppe** participated in training. **Hisham** attended workshops on applied survey data methods and resampling methods for complex surveys offered by the Washington Statistical Society. Both **Hisham** and **Bob** attended the Farm Costs and Returns Survey economic workshop held in Fairfax, Virginia.

In addition, **Bob** participated in the FCRS economic workshop held in New Orleans, Louisiana. At the workshops, **Bob** taught sessions on farm labor, farm and household characteristics, and data relationships checked by editing. **Bob** also attended the SAS/FCRS class organized by **Sue Bentley** (FRE).

Upcoming Events

Faqir Bagi and **Hisham El-Osta** wrote "Wealth Distribution Among Farm Households in the U.S.," which has been accepted as a contributed paper at the AAEA summer meetings in Orlando. Another paper "Various Measures of Household Income and Their Size Distribution Across Farm Households in the U.S.," is in progress. As soon as this last paper is completed, they will start on the economic efficiency of various farm enterprises, using FCRS data.

Hisham El-Osta and **Mary Ahearn** wrote "Estimating Opportunity Cost of Unpaid Farm Labor for U.S. Farm Operators," which was accepted for presentation at the AAEA summer meetings in Orlando. Also **Hisham** is writing a paper with **Jerry Whittaker** and **Mary Ahearn** on the estimation of model parameters across multiple years using data from the FCRS. **Jerry** will present the

paper at the International Conference on Established Surveys to be held this summer in Buffalo, New York.

Personnel News

Mary Ahearn recently took a job in the Administrator's Office. To cut costs, her position will not be filled. Despite these changes former members of the Section are continuing their work. In addition, Mary is finishing projects.

Farm Income Estimation Section

Publications

A new data product, *Historical State Farm Income Indicators, 1949-91*, assembled by Linda Farmer, Christopher McGath, and Jacqueline Ross, was recently released. It provides estimates of 51 farm income and expense items for these years. The major farm income series presented are net farm income, returns to operators, net cash income, and net business income. The product publishes estimates of the latter three series for years prior to 1976 for the first time and makes available unpublished revisions for 1978-86.

Files are Lotus 1-2-3 worksheets. The product (Stock No. 93007) costs \$45 and can be ordered by calling 1-800-999-6779.

Another data product providing this and other data by income and expense item will be released shortly. A publication of the same title, containing data by State and text discussing State-level farm income estimates, is in the final stage of preparation.

Briefings and Miscellaneous

Linda Farmer and **Chris McGath** presented a seminar at the Bureau of Economic Analysis on the net farm income account, and its connections with the balance sheet account, and the Farm Costs and Returns Survey. Reasons for the differences between the net farm income figures and IRS farm income figures from Schedule F were also examined. The Bureau of Economic Analysis has an Information Exchange Program with other agencies. Each month, BEA invites speakers to present a seminar to their personnel. The purpose of these seminars is to familiarize BEA's economists, statisticians, and others with current developments on topics related to national income accounting.



View from the Branch

By Pat Sullivan, FDP Branch Chief

Things look considerably brighter now that the Agency's proposed budget cuts are less drastic than originally feared, at least for the coming year. About the time the *ARED News* submissions were due, the future of the Branch looked pretty bleak, with a sizeable portion of the staff facing the very real possibility of being unemployed. Assuming that Congress doesn't reduce the Agency's budget further and a similar compromise can be negotiated in future years, it appears that ERS will be able to accomplish its downsizing in a more orderly and rational manner than would have been possible through a reduction in force. That doesn't mean a return to business as usual, however. For the time being we remain under a discretionary spending and hiring freeze and it's clear that the Agency will have to change its organization and research focus in response to budget realities. While far too early to predict the outcome of these changes for the Branch, we can guess what some of the implications might be for our research and how we operate.

Whether or not the "new" ERS includes an entity resembling the FDP branch, it seems likely that much of the work we have responsibility for will still be needed, and a reasonable argument can be made that ERS is the logical place for it to be done. The Department will continue to need advice, information, and research on Federal tax, agricultural credit, and rural development policy. Since good policy research requires a solid understanding of the institutions and interrelationships affected, it can be argued that, rather than trying to replicate this expertise throughout the Department's action Agencies, it should be done here in ERS.

While much of the work we currently do should be of interest to the Department's action Agencies, I'm far less certain that they appreciate its relevance, let alone its importance. I suppose one could argue that all we need is better advertising, but I'd suggest that we also need a new approach to initiating and directing our research. Rather than developing plans and conducting our research in isolation, we need to confer with the relevant action agencies at the outset to ensure that the work we do has a receptive audience within the Department and that we are addressing the questions that need to be answered. I do not mean to imply that we should ignore the needs of the profession or policymakers associated with other Federal agencies or levels of government. We should continue to

disseminate our research results in forms that others find useful. However, given our shrinking budget, work on topics without any clear relevance to the Department will probably require a reimbursable agreement.

Virtually all of the Branch's staff analyses and a portion of our research program is already conducted for the direct benefit of the Department's action agencies or its policy initiatives. Most of Steve Koenig's recent research has been done in response to FmHA's expressed wishes. The State farm credit work being done by George Wallace, Jim Mikesell, and Gwen Coleman is in response to the Department's obligations under the U.S. and Canada Free Trade Agreement, and nearly all the tax policy work done by Ron Durst and Mike Compson is in response to Departmental requests. The rest of our research provides much of the basic intelligence needed in the program design and evaluation process. But if we want to be viewed as important players in this process, we need to develop stronger links with the action agencies.

We have already taken steps to increase coordination with a few Agencies. Dave Sears and Tom Rowley have been meeting regularly with RDA's research staff to develop a list of research initiatives on top priority rural development policy topics that both agencies hope to pursue. Tom is also conferring with the State Rural Development Councils and the National Initiative Office to determine what services ERS can provide. And Steve and I have met with FmHA's staff upon occasion to discuss mutual research interests. But rather than being the exception, coordination and consultation needs to be the rule. Designing research to serve the Department's needs rather than what we think the Department should be interested in is likely to become increasingly important as the agency refocuses its agenda.

Stronger links with the action Agencies requires more than just asking what they'd like to see us do. Rather, we need to have a thorough understanding of their missions, programs, and agendas so we can bring our own ideas to the table. Otherwise, an exchange of ideas isn't as useful as possible for either party. We currently possess this level of understanding of FmHA's farmer programs, but our understanding of the rural development programs operated by FmHA, RDA, and REA is still growing and being strengthened.

Branch Office

Upcoming Events

Pat Sullivan will present a paper titled "The Structure of Rural Bank Markets and the Cost of Borrowing" at the 32nd annual meeting of the Southern Regional Science Association in Tysons Corner, VA, April 1-4.

Pat has also agreed to make a presentation at the annual meeting of the Pennsylvania State Bankers Association on recent trends in agricultural lending. The conference will be held on the Penn State University campus on April 20-21.

Personnel News

Gwen Coleman recently received the Administrator's Special Merit Award for the excellent job she does managing the Branch Office, and for serving with distinction on nearly every volunteer Division and Agencywide committee and task force that comes along. Gwen received the "service" award not so much for performing her job duties so well--which she routinely does--but for constantly going beyond her official responsibilities to help make the Branch, the Division, and the Agency work more smoothly and effectively. Congratulations Gwen on receiving some much deserved public recognition for your hard work.

Agricultural Finance Section

Research and Analysis

In September, Laura Geis traveled to Denver, Chicago, and St. Paul to interview a number of people involved in the financing of farmer-owned cooperatives. Discussion focused on the ability of the Banks for Cooperatives (BC's) to influence the balance between productive capacity and long-run demand in certain industries by virtue of the dominant lending position. She found that the BC's have considerable influence over the investment decisions of some of their borrowers, most notably small farm supply and grain cooperatives. This information will be used in ongoing research.

Publications

Bankruptcy Costs Under Chapter 12, by Robert Collender, was published in September as ERS staff report 9210. Chapter 12 imposes certain economic costs, referred to as bankruptcy costs and considered deadweight losses to the economy. The analysis indicates that Chapter 12 increases bankruptcy costs relative to Chapter 11 by as much as one-third. If Chapter 12 were modified to give

creditors the ability to capture future appreciation, its impact on bankruptcy costs would be moderated.

The summer issue of the American Bankers Association's *Journal of Agricultural Lending* includes an article by Douglas Duncan (formerly of ARED) on "A Regional Assessment of Farm Bank Lending." The article shows that agricultural banks are off to a good start in the 1990s after a tumultuous decade. Regional differences, changes in numbers of banks, earnings in the 1980s, the current financial situation, and future outlook are discussed.

Douglas Duncan and Michael Singer (Federal Reserve Bank of Chicago) had an article titled "The Farm Credit System Crisis and Agency Security Yield-Spread Response" published in the 1992 issue of *Agricultural Finance Review*. Investors' reaction to the Farm Credit System's (FCS) financial crisis in 1985 lends insight into the importance of agency status for FCS bonds. Yields on seasoned U.S. Government and agency securities are compared for a period surrounding the FCS request for Federal assistance. Three periods are considered: prior to public announcement of FCS financial difficulties, subsequent to the announcement but prior to legislative action, and subsequent to legislative action. Statistical tests indicate significant increases in yield spreads over Treasury securities for FCS securities following the announcement, as well as for other selected agency securities. The spreads reached a peak shortly before the passage of Federal legislation authorizing financial assistance to the FCS.

"New Banking Law a Break-Even Proposition for Farm Banks," in the September issue of *Farmline*, is based on information supplied by Douglas Duncan. In the 1980s and early 1990s, the U.S. banking industry was rocked by problems that led to the near-depletion of the Bank Insurance Fund. Congress has now passed new legislation to recapitalize the fund and tighten regulation--but how the legislation will affect farm bank depends on the language and application of the underlying regulations.

Network Economics: A Variational Inequality Approach, by Anna Nagurney (University of Massachusetts) was recently published by Kluwer Academic Publishers. Some of the background work for this book was supported by a cooperative research agreement with the Economic Research Service.

Papers Presented and Meetings Attended

During September, Jerry Stam and Laura Geis attended the National Agricultural Credit Committee's (NACC) semiannual meeting in Chicago. NACC is comprised of representatives from agricultural lenders and their trade

organizations, Federal regulators, other Federal agencies interested in agricultural lending, and selected research organizations. It is an information exchange forum that has focused on agricultural finance since 1942. Jerry serves as secretary of the committee and is responsible for organizing the program and meeting. The September meeting was chaired by ERS Administrator **John Lee**.

Robert Collender attended the annual Allied Social Science Associations meetings in Anaheim, CA, on January 4-7, 1993. He presented "Expense-Preference Behavior in a Government-Sponsored Enterprise." The paper finds no direct evidence of expense-preference behavior among Farm Credit System associations, per se, but does find considerable inefficiencies. The evidence on inefficiencies is consistent with research on other financial intermediaries prior to deregulation and with the heavily regulated nature of Farm Credit System associations.

Briefings and Miscellaneous

Robert Collender, **Steve Koenig** and **Jerry Stam** attended a reception on December 17, 1992, marking the closing of the Farm Credit System Assistance Board. The event was an opportunity to learn more about Farm Credit System issues, including merger plans.

Robert Collender, **Christian Foster** (ATAD), and **Bill Liefert** (ATAD) met with **Gray Jacobs** of the International Commission of Peace and Food to discuss the Commission's activities in the Russian Republic. These activities include a conference co-sponsored with the Gorbachev Foundation on "Agricultural Strategies" held in Moscow on January 24-29, 1993. In addition, the Commission is sponsoring a demonstration development project involving a joint venture to produce high quality baby food. Bob answered questions regarding the financing of agriculture and private enterprises in the United States and possibilities for the former Soviet Union.

Robert Collender continues to serve as the Branch's ambassador to the States of the former Soviet Union. On November 19, he met with a group of 12 Ukrainian farmers and food-distribution managers visiting the U.S. as part of the Cochrane Fellowship Program. Bob's presentation focussed on the extent of and limits to the Federal Government's role in financing agriculture.

On December 3, Bob addressed a group of Russian policymakers about the U.S. agricultural credit system. Attendees included the Chief of the Department of Agro-industry of the State Committee for Privatization, a regional Chairman of the Association of Peasant

Farmers and Agricultural Cooperatives of Russia and an associate professor. The relationship of credit policy to overall policy goals for the agricultural sector was discussed.

On February 3, Bob met with the President of the Belarus Bank for Foreign Economic Affairs to discuss the role of the U.S. Government in agriculture and banking.

Ted Covey has provided information and data on farm sector interest rates to the American Embassy in Venezuela, the Chonnan Development Group in Korea, the Office of International Cooperation and Development, and the World Bank, among others. Ted also provided data and discussed money and capital markets in the Farm Credit System (FCS) with representatives from the Government Accounting Office (GAO). GAO's results, released in February, confirm the commercial bank - FCS interest rate relationships reported by ERS in last February's *Agricultural Income and Finance Situation and Outlook* (AFO-44).

Robert Collender attended a World Bank Conference on "Do National Policies Affect Long Run Growth?" in Washington on February 8-9.

Government and Development Policy Section

Research and Analysis

During October and November, **Dave Sears** and **Molly Shonka**, designed and completed a preliminary assessment of the National Rural Development Institute. The assessment was carried out on behalf of the National Initiative on Rural America's Outcome Monitoring Team, of which Dave is chair. The Institute provides a variety of services for the State Rural Development Councils (formed through the National Initiative on Rural America). The assessment focused on the Councils' views on the usefulness of the Institute's services. Molly interviewed over 90 participants in the SRDC effort and assisted Dave in writing the final report.

John Redman recently completed two draft reports on the textile and apparel industries. The first, titled *The Tsunami, Phoenix, Tequila Sunset and FEDEX Scenarios: Thinking About the Future of the Rural Apparel Industry*, explores four different paths along which the industry might evolve over the next 10-20 years. The second report, titled *Preparing for the Approaching Storm: Developing A Rural Apparel Strategy*, proposes 13 key questions that, when addressed, help a State assemble an "apparel action team" and defines the team's task.

John is also working with Tom Bonnett (Council of Governors' Policy Advisors) and Catherine Cotter (First National Bank of Chicago) in preparing a handbook for State officials. The handbook will detail the process that a State should expect to go through when embarking on a study of a specific industry important to the State's economy. The research team would very much appreciate information about, or copies of, any industry studies completed by State Governments over the last five years. John can be reached at (202) 219-0544.

In January, Anicca Jansen met with co-researchers Bev Cigler (Pennsylvania State University), Vern Ryan (Iowa State University), and Jack Stabler (University of Saskatchewan) in Minneapolis to plan further research on multi-community partnerships.

Tom Rowley has been working with the National Initiative on Rural America as manager of ERS's program of support for the State Rural Development Councils. Thus far, that support has involved presentations by Tom, Ken Deavers (OD), and Sara Mazie (OD) to the Councils about the changing economic context for rural areas. In addition, Tom has participated in: (1) the strategic planning process of the Louisiana Council; (2) national meetings of State Council leaders in Warm Springs, Oregon and New Orleans, Louisiana; and (3) meetings with the National Rural Economic Development Institute at the University of Wisconsin concerning its role as a provider of assistance in organizational development and strategic planning to the Councils.

Rick Reeder and former intern, Cory Wanek, have prepared a paper titled "The Importance of Local Airports to Rural Business." The paper includes a review of the literature plus results from telephone interviews of local development officials in Wisconsin. Current plans are to publish this in a book on rural development strategies that Dave Sears and Norm Reid (RDA) are editing.

Tom Rowley, Dave Sears, Glenn Nelson (University of Missouri), Norm Reid (RDA), and Merv Yetley (House Agricultural Committee) are the editors of a forthcoming book from Paragon House Publishers titled *The Foundations of Rural Economic Development Policy*. The book examines the process of rural economic development, identifies appropriate program targets, and explores several strategies for rural development and methods for evaluating those strategies. Publication is expected in late 1993.

Dave Sears is involved in cooperative agreement with a study team led by Beryl Radin (University of Southern California's Washington Public Affairs Center). The

team is assessing the efforts of the State Rural Development Councils.

Publications

In the November 1992 issue of the *Journal of Regional Science*, Peter Stenberg reviewed *Technology in the Garden: Research Parks and Regional Economic Development*. The book, written by Michael I. Luger and Harvey A. Goldstein (1991, University of North Carolina Press), examines the growth of research parks in the United States.

Rick Reeder wrote an article titled "The Advantages and Disadvantages of the Use of Selected Economic, Social, and Fiscal Indicators in the Construction of a Federal School Policy-Impact Code for Nonmetropolitan Areas." The article was published in *The Journal of Research in Rural Education*, Vol. 8, No. 3, Winter 1992.

John Redman, Tom Rowley and Jack Angle (DSC) had their article, "The Role of Nonmetropolitan Economic Performance in Rising Per Capita Income Differences Among the States," published in the Fall 1992 issue of the *Review of Regional Studies*. The article examines the relationship between rural economic performance and the recent increase in State per capita income inequality. They found that the 1980s ended with a large income difference between richer, heavily urban, primarily Atlantic Coast States and poorer, heavily rural, central and southeastern States.

A research team consisting of Dave Sears, John Redman, Lorin Kusmin and Molly Killian (University of Arkansas) recently wrote an ERS staff report titled *Growth and Stability of Rural Economies in the 1980s*. The report examines differences among U.S. nonmetro counties in terms of earnings growth and the stability of that growth over the 1979-88 period. Earnings growth was chosen as the study focus because it reflects the overall strength of the local economy. It combines the impact of employment change with the impact of change in earnings per job. Thus, the measure recognizes that not only is job growth necessary for economic growth, but also that better paying jobs are more desirable than lower paying jobs. The study divides U.S. nonmetro counties into four economic performance categories and describes differences among the four groups.

Tom Rowley reviewed *Planning Small Town America: Observations, Sketches, and a Reform Proposal for Rural Development Perspectives* (Vol. 8, Issue 1). The major focus of the book is on the authors' reform proposal for small town planning--committed lands analysis (CLA). CLA is an attempt to guide real estate development

into lands where infrastructure and services already exist, instead of allowing development to spread to unserved areas. Although a fine idea, infrastructure is only one of many issues involved in planning. Thus, Tom surmises, the reader "looking for more" on small town planning may be a bit disappointed.

Papers Presented and Meetings Attended

Dave Sears described the rural strategies research program of the Section at a meeting of researchers at the University of Oregon in October. The Oregon researchers form a multidisciplinary faculty team operating as the Sustainable Development Group, which is aimed at developing rural development research which will develop processes supporting "environmentally sustainable development."

Dave Sears and **Tom Rowley** attended the Fall 1992 Quarterly Leadership Forum for the State Rural Development Councils. The meeting was held in Warm Springs, Oregon, and was attended by representatives from more than 25 of the State Councils. Dave talked about the Outcome Monitoring Team's evaluation plans for the next couple of years. Tom explained ERS's role in providing research support for the Councils.

Anicca Jansen presented a paper titled "Little Casino on the Prairie: Gaming and American Indian Communities" at the annual meeting of the American Collegiate Schools of Planning in Columbus, OH, on October 31. Anicca also presented an ERS seminar on Indian-operated casinos as part of Native American History month in November.

Peter Stenberg attended the North American Meeting of the Regional Science Association International in Chicago, November 12-15. He presented a paper titled "Welfare Considerations in Regional Academic Research and Education" which explored the conflict between the goals of improving the welfare of the individual (people prosperity) and improving the welfare of groups of individuals in a particular place or region (place prosperity). The results indicate there are positive economic returns to investment in higher education for all regions despite the high rate of mobility of educated people. Peter also chaired a session on investment and income variations and discussed a paper on measuring regional income variation.

In January, **Rick Reeder** attended the Transportation Research Board's annual meetings in Washington, DC. Papers presented at the meetings examined the empirical relationship between infrastructure and economic growth.

In January, in continuation of her study on American Indian casinos, **Anicca Jansen** visited the Mille Lacs Band of Ojibwe reservation in Central Minnesota. The Mille Lacs Ojibwe operate two casinos, both in nonmetro Minnesota counties. In December 1992, the Ojibwe became the first Indian tribe ever to issue a revenue bond. The bond is backed by casino revenue. Anicca's research is focused on how the presence of casinos affects cooperation between Tribal and non-Indian local governments.

Briefings and Miscellaneous

Dave Sears and **Norm Reid** (RDA) are editing a book on rural development strategies to be published in late 1993 under the auspices of the Policy Studies Organization. They are also planning a third volume along the same lines that will emphasize non-traditional rural development strategies. Interested authors are invited to submit one-page paper proposals July 1, 1993. Contact Dave Sears at 202-219-0544 for the guidelines on proposals.

Rick Reeder was one of several ERS staffers who provided information to the Forest Service to help them design a targeting formula for two new rural development programs. His staff report *Targeting Aid to Distressed Rural Areas* was distributed to Forest Service staff.

Anicca Jansen spent mid-September through mid-October in Zambia as part of a multidisciplinary team studying natural resource use and conservation. The study, led by Carl Mabbs-Zeno (ATAD), was conducted by the USDA Office of International Cooperation and Development under contract with the World Bank. Anicca focused on government decentralization, women and natural resource use, health, and resource-based community development. She wrote a report titled "Natural Resource-Based Community Economic Development" for the team's final report.

Researchers from ERS have teamed up with representatives from the Rural Development Administration and the Aspen Institute to form an Ad Hoc Working Group on a Rural Strategy Agenda. Since April 1992, the Working Group has been defining a research agenda useful to researchers and users of outcome-oriented rural research. They hope to produce an agenda by mid-1993. ERS members of the Working Group include **Dave Sears**, **Tom Rowley** and **Pat Sullivan**.

Personnel News

Molly Shonka is a social science analyst who started working for ERS in October 1992. After graduating

from the University of Texas at Austin with her master's degree in Community and Regional Planning, Molly spent a year as a volunteer in Jamaica. Although her official title was "community development specialist," Molly was in effect a jack-of-all-trades, including carpenter, trainer, nurse, teacher, and photographer. She also toured the island, riding on the "blinkin' bus."

Molly's travels next took her to Omaha, her hometown, where she worked in development education (helping people of all ages to better understand global issues such as hunger and poverty). In addition to developing instructional materials, Molly visited many small rural towns from Stuart, NE, to Mt. Vernon, IL, giving workshops. Her latest move was to Washington, DC, where she worked for a short time with an international management consulting firm before joining the GDP Section. Molly loves writing (she has kept a personal journal since the age of 12) and exploring Washington.

Rural Finance and Tax Section

Research and Analysis

Michael Compson is analyzing the impact of taxing social security benefits on self-employed individuals and farm sole proprietors. Social security is an important source of retirement income for many farmers. Under current law, only 50 percent of social security benefits are included as taxable income for those with modified adjusted gross income of \$32,000 for joint returns and \$25,000 for single individuals. One proposal being evaluated is to include 85 percent of social security benefits as income.

Publications

Nonmetro, Metro, and U.S. Bank-Operating Statistics, 1990, by Jim Mikesell and Felice Marlor (formerly of RFT) was published as Statistical Bulletin Number 846 in November. Continuing a series of similar publications initiated with statistics for 1985, the report notes that consolidation of the banking industry continued in 1990, but at a slower pace in nonmetro America. Compared to metro banks, banks headquartered in nonmetro areas were much better capitalized, were more profitable, had fewer problem loans, and suffered fewer loan losses.

"IRS Estimates of the Aggregate Net Farm Profit (Loss) of Farm Sole Proprietors" by Michael Compson and Ron Durst was published as a special article in the December issue of *Agricultural Income and Finance Situation and Outlook*, AFO-47. Using the 1987 IRS Individual Public Use Tax File, the authors conclude that IRS estimates of net farm income do not reflect

the economic situation of farm sole proprietors. Three reasons are presented for this conclusion: (1) IRS tax data reveal that nonfarm sources of income are widespread and represent an important source of income; (2) the Federal tax code contains various tax preferences that allow individuals to use farming to shelter income from taxation; and (3) not all sources of income directly related to farming are captured in net farm profit (loss).

"The Health Insurance Status of Farm Operators, Managers, and Workers, and the President's Health Care Reforms" by Michael Compson was published as a special article in the September issue of *Agricultural Income and Finance Situation and Outlook*, AFO-46. Based on the 1989 National Health Interview Survey, nearly 30 percent of the 3.2 million farm operators, managers, and workers were without health insurance in 1989, nearly twice the national average. The survey reveals significant differences in health insurance coverage between farm operators and managers and farm workers.

"Farm Machinery Investment and the Tax Reform Act of 1986" by Michael LeBlanc (RTD), James Hrubovcak (RTD), Ron Durst and Roger Conway (OE) was published in the July issue of the *Journal of Agricultural and Resource Economics*. The article examined how changes in marginal tax rates, depreciation schedules and the investment tax credit contained in the Tax Reform Act of 1986 affected the cost of capital and investment in agriculture. Results suggest that relative to prior law, the Act reduced the incentive to invest in farm machinery, resulting in a drop of nearly \$4 billion in the stock of farm machinery and equipment.

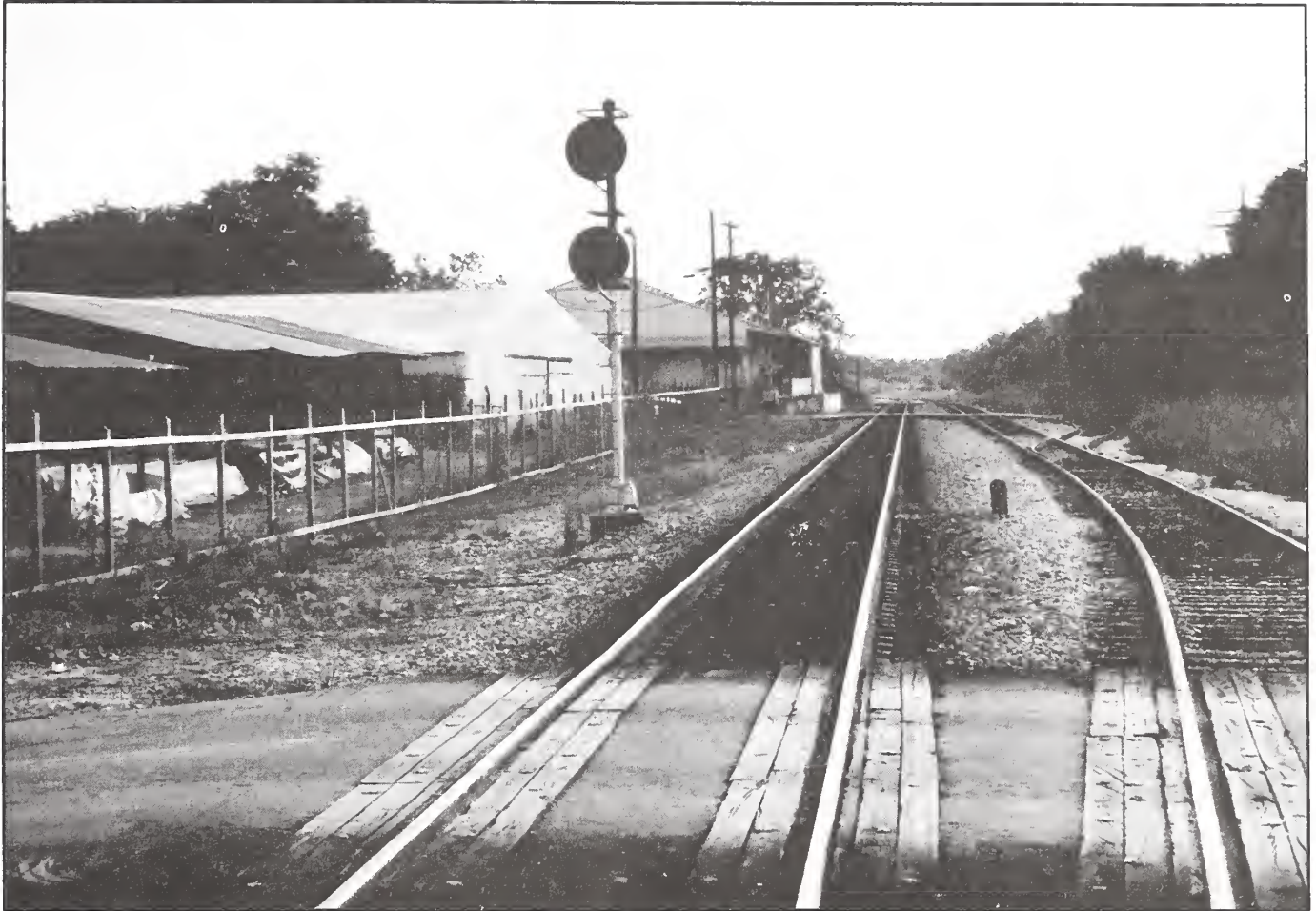
Papers Presented and Meetings Attended

Ron Durst and Michael Compson attended the Seventh Annual National Bureau of Economic Research Conference on Tax Policy and the Economy in Washington, DC, November 17, 1992. Papers presented analyzed the impact of research and development tax policies during the 1980s, the present state of knowledge regarding enterprise zones, income inequality and tax issues facing the new Administration.

Michael Compson attended the Society of Government Economists' Conference on Microsimulation in Washington, DC, November 20, 1992. The conference reviewed the development and current state of microsimulation techniques. Analysts from the Treasury Department and the Congressional Budget Office presented microsimulation techniques used in recent tax related research.

Jim Mikesell attended the annual meeting of the Western Regional Coordinating Committee WRCC-63, "Rural Finance and Development in the West," held January 13-14 in San Diego. Jim presented "State Activities in Agricultural Credit Markets," written with

George Wallace. Discussion at the meeting focused on the viability of rural economies in the West, the proper role of government in promoting local economic activity, and the growing problem of adequately financing rural governments.



HUMAN RESOURCES AND INDUSTRY BRANCH

Population Studies Section

Publications

An article by **Paul Frenzen** describing how "Rural Areas Gained Doctors During the 1980s" appeared in the Fall issue of *Rural Development Perspectives*. The article focused on geographic variations in the growth of the

physician supply and the emergence of regional medical centers in urbanized nonmetropolitan counties.

Papers Presented and Meetings Attended

In October, **Laarni Dacquel** attended the Southern Demographic Association annual meetings in Charleston, SC. She presented a paper titled "A Decomposition of Shifts in Nonmetro Family Structure."

Carolyn Rogers presented data on the older population as part of a symposium, "Common Beliefs About Older Americans in Rural Areas: What Do National Data Tell Us?" at the annual meeting of the Gerontological Society of America, November 20, 1992, in Washington, DC.

Laarni Dacquel and Paul Frenzen presented papers at the 1993 Agriculture Outlook Conference in Washington, D.C., in early December. Paul's paper, "Health Insurance Coverage of Rural Family Members," examined the differences in coverage between rural, urban, and farm residents. The paper presented by Laarni (written with Linda Swanson), "The Effect of Economic Stress on Family Structure," explored the relationship between unemployment and poverty on family structure by metro/nonmetro residence.

Paul Frenzen prepared a poster session on the "Geographic Dispersion of Primary Care Physicians" for the Third Primary Care Conference organized by the Agency for Health Care Policy and Research in Atlanta in early January. The poster described early results of a study showing how physicians became more evenly distributed in relation to the U.S. population during the 1980s.

Rural Industry Section

Research and Analysis

Mike Lahr is investigating the effects of the extent of spatial linkages on county employment growth using spatial econometric techniques. Variables such as spatial competition and spatial demand and those accounting for agglomeration economies will be taken into account as will other variables that generally are used to determine county employment growth.

Publications

"Black Concentration and Underemployment in Southern Labor Market" by Deborah Tootle and Leann Tigges (University of Georgia) appears in the newly released *Inequalities in Labor Market Areas*. The authors find that in Southern labor market areas with relatively large black populations, underemployment is a more serious problem for blacks than for whites. Such inequality is generally attributed to the inability of workers with limited skills to compete with a more skilled workforce. The findings in this chapter, however, highlight the roles of local industrial structures and economic discrimination in generating this inequality. The book, edited by Joachim Singelmann and Forrest Deseran, is a USDA Southern Regional Project S-229 Technical Committee project.

Papers Presented and Meetings Attended

Andy Bernat presented the paper "Rural-Urban Productivity Differences" at the North American Meetings of the Regional Science Association International held in Chicago, November 13-15. The paper showed that even though the strength of agglomeration economies declined, the productivity gap between rural and urban manufacturing increased during the 1980s.

Mike Lahr presented two papers at the North American Meetings of the Regional Science Association International in Chicago on November 13. The first, "Aggregation in Regional Input-Output Models: Some Empirical Results," written with Benjamin H. Stevens, showed that improper aggregation techniques in models such as IMPLAN, RIMS II, and REMI can, on average, cause as much as 90 percent error in model results. The second, "An Algorithm for Producing Hybrid Regional Input-Output Models" showed how a series of applications of Leontief-inverse sensitivity techniques can point out sectors that should be surveyed to obtain a much more accurate input-output model.

Briefings and Miscellaneous

In November, Martha Frederick met with members from the Departments of Agriculture, Commerce, Interior, and other agencies, to form a Rural Tourism Task Force. The task force reports to the Monday Management Group (MMG), made up of career officials from various federal agencies, who meet regularly as part of the National Rural Development Initiative. The task force is charged with providing the MMG with information and advice on rural tourism. The task force met again on January 7 and Martha briefed the group on the costs and benefits of rural tourism development as found in the tourism literature.

Andy Bernat discussed trends in nonmetro manufacturing employment at the Agricultural Outlook conference in December.

Mike Lahr was the ERS representative at an interagency meeting at the Immigration and Naturalization Service on November 30. Discussed at the meeting were means of estimating the regional economic impacts of approving up to 10,000 visas each fiscal year to qualified alien entrepreneurs, as called for in the Immigration Act of 1990.

Upcoming Events

In April, Deborah Tootle will attend the 1993 Annual Meeting of the Southern Sociological Society in Chattanooga, Tennessee. She will serve as a discussant

for the session "Urban-Rural Linkages in Global Perspective".

Personnel News

In December, Merritt Hughes took a position with USDA's Office of Energy.

Rural Labor Section

Research and Analysis

Elizabeth Dagata is analyzing the 1979-1989 change in the metro/nonmetro gap in hourly wages using Current Population Survey Earnings File data. Elizabeth has found that the pay gap widened over the decade because average metro wages grew slowly while the wages received by workers in nonmetro areas fell significantly. Analysis is underway to determine the relative contributions of changes in (1) the composition of the metro and nonmetro labor forces and (2) pay performance in metro and nonmetro areas to the growth in the wage gap.

Tim Parker's work for a special *Rural Conditions and Trends* issue using 1990 Census data shows nonmetro areas falling further behind metro in college completion rates, but catching up slightly in high school completion rates. Also, labor force participation rates for nonmetro women with children under 18 years of age were found to have grown rapidly and to now be higher than for all nonmetro men.

Elizabeth Greenberg, Paul Swaim, and Ruy Teixeira continued work on their project analyzing skill demand and supply in rural areas using a number of special datasets. Ruy and Elizabeth are analyzing data from the National Assessment of Educational Progress (NAEP), with county identifiers; BLS 1990-2005 employment projections; and 1991 revision of the Dictionary of Occupational Titles. They recently produced breakdowns of NAEP student achievement data by metro, nonmetro areas. This and other material is presented in Ruy and Elizabeth's article, "The Myth of a Skills Mismatch in Rural Areas," which is forthcoming in *Rural Development Perspectives*.

Ruy Teixeira has begun the article, "Human Capital Issues in Rural Areas," that he was invited to write for the forthcoming University Press of Kansas book, *The American Countryside: Rural People and Places*, edited by Emery Castle.

Paul Swaim is analyzing special Current Population Survey data sets on job qualifications, job training, and computer skills. Preliminary results suggest that rural workers receive less job training after leaving school

than urban workers and are more likely to report inadequate computer skills, despite the fact that fewer rural jobs involve the use of computers. An article is under preparation for *Rural Development Perspectives*.

Paul Swaim and Ruy Teixeira are also writing an Issue Briefing Paper titled "Rural Workforce Education and Training, Rural Growth and the New Economy."

Publications

Ruy Teixeira published an article, written with Daniel Lichter, Jill Findeis and Lionel Beaulieu, titled "Human Capital, Labor Supply and Poverty in Rural America" in the Westview Press book, *Persistent Poverty in Rural America*. This book is a product of the Rural Sociological Society Task Force on Persistent Rural Poverty.

Paul Swaim and Michael Podgursky's (University of Massachusetts) article, "To Search or Not to Search: Female Labor Supply Following Job Displacement," appeared in the Winter 1992 issue of the *Eastern Economic Journal*. An earlier version of their paper was presented at the 1992 Eastern Economic Association meetings and it was one of three contributed papers chosen by the association's president, Professor Dale Jorgenson, for inclusion in this special proceedings issue of the journal. Paul and Mike's empirical results indicate that many women affected by factory closings and other permanent layoffs withdraw from the labor force and, thus, may be difficult to reach with conventional labor market assistance programs.

Papers Presented and Meetings Attended

Tim Parker participated in the S-229 technical committee meeting held in Charleston, South Carolina in October. He presented preliminary findings from his research showing how employment change models vary depending on whether commuting zones or counties are used as the unit of analysis.

Robert Gibbs presented a paper titled "Post-migration Earnings: Do Origins Matter?" at the 39th North American meetings of the Regional Science Association International in Chicago in November. The paper finds that rural migrants to urban areas experience lower earnings in the first year after the move than migrants who come from other urban areas, even when personal and productivity-related characteristics are controlled. Urban migrants to the countryside also do better than migrants from other rural areas. These results may be explained in part by unobserved characteristics (school or job training quality, for example) that give urban migrants an advantage in the labor market.

Elizabeth Greenberg, Paul Swaim, and Ruy Teixeira presented their paper, "Can Rural Workers Compete for the Jobs of the Future?," at the 1993 Agriculture Outlook Conference on December 3. The paper uses new data to assess the educational and skill levels of rural workers. Although the typical rural worker appears to be about as well-educated as her urban counterpart, several gaps in educational and training opportunities may warrant concern. For example, rural high school students have less opportunity than urban students to enroll in advanced courses, such as two-year science sequences or advanced placement courses, and a correspondingly smaller proportion of rural seniors perform at "advanced" levels on national achievement tests. Other concerns include high dropout rates in the rural South, a smaller proportion of rural youth finishing four years of college, and rural workers reporting less on the job training than urban workers.

Paul Swaim presented his paper, "Female Labor Supply Following Displacement: A Split-Population Model of Labor Force Participation and Job Search," to the economics department at Ottawa University on December 4. The paper develops and applies a novel technique for analyzing the determinants and relative importance of unemployment versus labor force withdrawal following layoffs. While in Ottawa, Paul also met with three labor market analysts at Statistics Canada in order to discuss common research interests and the feasibility of sharing data sets. He also attended the Allied Social Science Association annual meetings in Anaheim, January 4-7.

Briefings and Miscellaneous

During the latter part of September and early October, Elizabeth Dagata worked with Wendy McGinnis of the U.S. Forest Service (FS) developing several economic and social measures to be used by the FS to distribute their Economic Recovery and Rural Development Funds.



NATIONAL ECONOMY AND HISTORY BRANCH

Agricultural and Rural History Section

Research and Analysis

Dennis Roth held an oral history interview with **Robert Lewis**, administrator of the Rural Community Development Service from 1965-66, in connection with the Section's ongoing research on the history of Federal rural development policy.

Anne Effland received a research grant from the Harry S. Truman Library Institute and spent the last week of January at the Truman Presidential Library in Independence, MO, researching agricultural labor policies of the Truman administration.

Papers Presented and Meetings Attended

Lowell Dyson presented a paper, "The American Left and Farmers in the Twentieth Century," at a meeting of the Austrian Association for American Studies in Graz, Austria, November 21, 1992.

Vivian Wiser, **Doug Bowers**, **Lowell Dyson**, **Anne Effland**, and **Wayne Rasmussen** attended the DC Historians Fall Luncheon in October for an exchange of views with other area historians.

Joel Schor and **Anne Effland** served on the Local Arrangements Committee for the American Historical Association meetings held in Washington, DC, December 27-30. **Doug Bowers** and **Lowell Dyson** also attended the meetings.

Briefings and Miscellaneous

Doug Bowers, **Lowell Dyson**, **Dennis Roth**, and **Anne Effland** reviewed the Secretary's files in the Office of the Executive Secretariat during January for the Yeutter and Madigan administrations. Documents useful in the Section's research were copied as part of an ongoing effort to collect historically significant records of the Department's activities.

Dennis Roth and **Anne Effland** briefed a delegation of Ukrainian agriculturalists in November on the history of U.S. rural development policy. The Ukrainians were interested in parallels between American development and the situation now faced by the newly independent Ukraine.

Doug Bowers recorded USDA TV and radio spots on the official portraits of the Secretaries and the agricultural significance of several holidays.

Doug Bowers and **Anne Effland** briefed the newly appointed historian of the USDA Office of Personnel on the activities and duties of federal history offices.

Anne Effland joined the ERS Equal Opportunity Advisory Committee in December for a three-year term as a representative from ARED. She will be working primarily on Special Emphasis Programs, Support Staff Issues, and Flexible Workplace Issues.

Macroeconomics Section

Papers Presented and Meetings Attended

David Torgerson presented a paper written with **Mark Denbaly** to the Southern Agricultural Economics meetings in Tulsa, OK, on February 3, 1993. The paper titled "Commodity Futures Price Unbiasedness and Interest Rate Arbitrage: The Case of Wheat" shows that for the 1975 to 1990 period the wheat futures price is an unbiased forecast of future spot prices--in the presence of interest rate arbitrage activities. This paper builds on work by **John Kitchen** and **Denbaly** in applying interest rate arbitrage, the tendency of the rate of appreciation in commodities to equal the return on financial assets.

Briefings and Miscellaneous

In an interview with the *Des Moines Register*, **Dave Torgerson** answered a number of questions on his article on energy and agriculture which appeared in December AO. An article about his analysis appeared in the Dec. 14, 1992, *Des Moines Register*.

National Aggregate Analysis Section

Publications

William Edmondson and **Michelle Robinson** recently wrote "U.S. Agricultural Trade Boosts Overall Economy" published in the September/October 1992 *FATUS*. The article examines agriculture's role in stimulating the economy, generating employment, income and purchasing power in both the farm and nonfarm sectors. The article looks at bulk export levels, the effects of agricultural imports and exports, and income effects of agricultural trade. In addition, the data presented in the article incorporates recent data revisions to the Department of Commerce's 1982 Input/Output Tables.

Papers Presented and Meetings Attended

Chinkook Lee participated the second Washington conference of the Korea-America Economic Association, September 28-29, 1992, at the American Enterprise Institute. This year's theme was "Korea at a Cross Road." The conference emphasized South-North Economic Integration with three papers dealing with the issue. Chin discussed a paper by Professor Kim of Northeastern University. Professor Kim applied Friedman's permanent income hypothesis to explain North Korea's "permanent exports." In general, participants agonized with lack of data to do research on North Korea and agreed that economic integration of South and North Korea will be slow and has to be carefully planned and build on the lessons learned from German economic integration.

Arthur Wiese participated in the Third General Equilibrium Modeling Conference on the campus of Wilfrid Laurier University in Waterloo, Ontario, Canada, October 23-25, 1992. He presented a paper, "From the NIPA to Net Expenditure and Tax Tables for Use in Applied CGE Models." The topics discussed at the conference varied widely in scope, from model development to applications including trade, environment and imperfect competition.

Arthur Wiese and Gerald Schluter had a paper, "Measuring the Effects of Productivity Change on

Income Distribution," written with Adam Rose (Pennsylvania State University) on the program of the North American Meetings of the Regional Science Association International in Chicago, November 13-15. The paper was a progress report of an effort to combine the detailed household social accounting matrices developed by Rose with a CGE model designed by Section researchers. The authors received useful feedback from conference participants and are continuing to refine the analysis.

Gerald Schluter also attended the Regional Science meetings where he discussed a paper and participated in the deliberations of the Executive Board of the Southern Regional Science Association.

Michelle Robinson and Doris Newton (CED) participated in a pre-conference workshop titled "Enhancing Collaborative Opportunities Among Black Agricultural Economists" in conjunction with the 90th Annual Meeting of the Southern Association of Agricultural Scientists, January 31, 1993, in Tulsa, Oklahoma. The workshop was organized by Dr. Alfred Parks, President of the Committee on Opportunities and Status of Black Agricultural Economists and chair of the Department of Agriculture at Prairie View A&M University. The workshop was designed to discuss and improve the relationship among USDA, 1890 institutions, 1862 institutions, and the private sector.



INDEX OF REPORTS AND PAPERS

15th Annual Family Farm Report to Congress	10	Human Capital, Labor Supply and Poverty in	
A Decomposition of Shifts in Nonmetro Family Structure .	24	Rural America	25
Aggregation in Regional Input-Output Models: Some		Improving the Living and Working Conditions of Hired	
Empirical Results	24	Farm Workers	10
An Algorithm for Producing Hybrid Regional Input-Output		Income Distribution Among Farm Operator Households . .	15
Models	24	IRS Estimates of the Aggregate Net Farm Profit (Loss) of	
An Option Pricing Model of Farm Credit System Bank		Farm Sole Proprietors	22
Nonaccrual Loan Levels (poster)	13	Leaner Employment in Processing and Marketing Industries	9
A Regional Assessment of Farm Bank Lending	18	Limited Opportunity Farm Households in 1988	15
Bankruptcy Costs Under Chapter 12	18	Little Casino on the Prairie: Gaming and American Indian	
Black Concentration and Underemployment in Southern		Communities	21
Labor Market	24	Measuring the Effects of Productivity Change on Income	
Can Rural Workers Compete for the Jobs of the Future? .	26	Distribution	28
Characteristics and Production Costs of U.S. Rice		Natural Resource-Based Community Economic	
Farms, 1988	13	Development	21
Characteristics and Production Costs of U.S. Soybean		Network Economics: A Variational Inequality Approach .	18
Farms, 1990	13	New Banking Law a Break-Even Proposition for	
Characteristics of Large-Scale Farms, 1987	11	Farm Banks	18
Commodity Futures Price Unbiasedness and Interest Rate		Nonmetro, Metro, and U.S. Bank-Operating	
Arbitrage: The Case of Wheat	27	Statistics, 1990	22
Economic Well-being of Farm Operator Households,		Persistent Poverty in Rural America	25
1988-1990	15	Post-migration Earnings: Do Origins Matter?	26
Estimating Opportunity Cost of Unpaid Farm Labor for U.S.		Preparing for the Approaching Storm: Developing A Rural	
Farm Operators	15	Apparel Strategy	19
Ethanol Production and the Rural Economy	9	Restricting Pesticide Use: The Impact on Profitability by	
Expense-Preference Behavior in a Government-Sponsored		Farm Size	13
Enterprise	19	Rural Areas Gained Doctors During the 1980s	24
Farm Financial Performance: Outlook for the 1990s . . .	14	Rural Conditions and Trends (Fall 1992)	
Farm Machinery Investment and the Tax Reform Act		Farm Entrepreneurs Had the Highest Nonmetro Income	
of 1986	22	in 1990	6
Farm Sector Financial Performance	13, 14	Hired Farmworkers Do Not Fare as Well as Other	
Farming as a Rural Growth Strategy	9	Nonmetro Workers	6
Female Labor Supply Following Displacement: A Split-		National Economy Grows Slowly	6
Population Model of Labor Force Participation and		Rural Employment Up Slightly	6
Job Search	26	Rural Unemployment Unchanged	6
Financial Performance of U.S. Farm Businesses, 1987-90 .	13	Rural, Urban, National, and International Economies	
Financial Performance of U.S. Farms by Farm Credit District		Generally Flat	5
for 1980, 1985, and 1990	14	Rural Conditions and Trends (Winter 1992/93)	
Foreign Investment in Texas Agricultural Land, 1977-1990		Defense Cuts Pose Difficult Adjustment for Some Rural	
(poster)	13	Communities	6
From the NIPA to Net Expenditure and Tax Tables for Use		Economy Getting End-of-Year Bounce	6
in Applied CGE Models	28	National Economy Strengthens; Rural Employment	
Gender Labor Roles in Farm Operator Households	15	Recovering Sooner Than Urban	6
Geographic Dispersion of Primary Care Physicians	24	Rural Employment Rebounds, But Evenly	6
Growth and Stability of Rural Economies in the 1980s . .	20	Rural Unemployment Continues to Rise in the Third	
Health Insurance Coverage of Rural Family Members . . .	24	Quarter of 1992	6
Historical State Farm Income Indicators, 1949-91		Rural Development Perspectives	
(data product)	16	Agriculture Still Key to Economic Health of the Rural	
Human Capital Issues in Rural Areas	25	Great Plains	5

Can Telecommunications Help Rural Areas Overcome Obstacles to Development?	5	The Myth of a Skills Mismatch in Rural Areas	25
Leaving the Countryside: Young Adults Follow Complex Migration Patterns	5	The Role of Nonmetropolitan Economic Performance in Rising Per Capita Income Differences Among the States	20
Rural-Urban Productivity Differences	24	The Shrinking Number of Farmers: Do We Need More Entrants?	10
Rural Workforce Education and Training, Rural Growth and the New Economy	25	The Structure of Rural Bank Markets and the Cost of Borrowing	18
Size Distribution of Income Among the Farm Operator Households in the United States in 1988	15	The Tsunami, Phoenix, Tequila Sunset and FEDEX Scenarios: Thinking About the Future of the Rural Apparel Industry	19
State Activities in Agricultural Credit Markets	23	To Search or Not to Search: Female Labor Supply Following Job Displacement	25
Targeting Aid to Distressed Rural Areas	21	U.S. Agricultural Trade Boosts Overall Economy	27
The Advantages and Disadvantages of the Use of Selected Economic, Social, and Fiscal Indicators in the Construction of a Federal School Policy-Impact Code for Nonmetropolitan Areas	20	U.S. Cash Costs of Production for Major Field Crops, 1993 Forecast	13
The American Countryside: Rural People and Places	25	U.S. Farm and Farm-Related Employment in 1989: Where Are Jobs in Farming and Its Related Industries Most Important?	9
The American Left and Farmers in the Twentieth Century	27	Value Added Agriculture as a Rural Growth Strategy	9
The Contribution of Agriculture to the Western States' Economies	10	Various Measures of Household Income and Their Size Distribution Across Farm Households in the U.S.	15
The Effect of Economic Stress on Family Structure	24	Wealth Distribution Among Farm Households in the U.S.	15
The Farm Credit System Crisis and Agency Security Yield- Spread Response	18	Welfare Considerations in Regional Academic Research and Education	21
The Foundations of Rural Economic Development Policy	20	Where Farm Program Payments are Most Important to Farmers and Farm-based Counties	9
The Health Insurance Status of Farm Operators, Managers, and Workers, and the President's Health Care Reforms	22		
The Importance of Local Airports to Rural Business	20		



Put Rural Development Research To Work For You

Rural Development Perspectives brings you information that will help you make your rural community or small town a better place to live, get more out of your budget, give you new ideas about developing your area's economy, and help you understand the forces influencing rural development in America in the 1990's.

In each issue:

Feature articles (8-10 of them) give you information you can put to use, not just put on a shelf;

Book Reviews tell you about good new books on rural and smalltown topics;

Short Subjects give you a digest of readings that will broaden your awareness of what matters to rural areas and small towns;

Rural Indicators give you a graphic snapshot of trends affecting you and your community.

Subscription includes three issues. Save money by subscribing for more than 1 year!

Rural Development Perspectives Subscription

Rates: 1 Year 2 Years 3 Years
 \$12.00 \$22.00 \$32.00

**For fastest service, call our order
desk toll free, 1-800-999-6779**
(8:30-5:00 ET in U.S. and Canada; other areas
please call 703-834-0125)
FAX order phone number: 703-834-0110

☐ Bill me. ☐ Enclosed is \$_____.

- Use purchase orders, checks drawn on U.S. banks, cashier's checks, or international money orders.
- **Make payable to ERS-NASS.**
- Add 25% for shipment to foreign addresses shipment to foreign addresses (includes Canada).

Credit Card Orders:

☐ MasterCard ☐ VISA Total charges \$_____.

Credit card number:

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Expiration date:

Month/Year	

Name _____

Mail to:

Address _____

ERS-NASS
341 Victory Drive
Herndon, VA 22070

City, State, Zip _____

Daytime phone (____) _____

United States
Department of Agriculture
1301 New York Avenue, NW
Washington, DC 20005-4789

OFFICIAL BUSINESS

Penalty for Private Use, \$300

FIRST CLASS
POSTAGE & FEES PAID
USDA
PERMIT NO. G-145